Ad Hoc Committee on State Printing Needs

Final Report

January 2000

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FINAL REPORT

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Ad Hoc Committee on State Printing Needs

January 2000

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Arizona State Legislature FINAL REPORT

Ad Hoc Committee on State Printing Needs

Background

The Ad Hoc Committee on State Printing Needs is an ad hoc committee created by the President of the Senate and the Speaker of the House.

Committee Charge

To conduct hearings and inquire into the degree of competition and cost-effectiveness of printing work conducted for the State, including:

- (1) Identification of state print shops (including Arizona Correctional Industries and state agencies) and taking inventory of printing and printing-related equipment, number of printing facilities, hours of operation and volume;
- (2) Identification of categories of customers including intra-agency, interagency and other public and private customers;
- (3) Identification of state contracts awarded to out-of-state and foreign country vendors and the volume of printing conducted pursuant to those contracts;
- (4) Assessing the annual cost of print shop operations.

The Committee shall make its recommendations by December 15, 1999, regarding: (1) the criteria for outsourcing printing jobs, including a determination of annual reasonable amounts for cost and volume of outsourced printing; (2) consolidation of state print shop operations to increase efficiency and utilization; (3) consolidation of changes to the procurement code as it affects printing to provide efficient use of public resources; and (4) an educational program on state printing criteria and guidelines for state procurement agents.

Committee Membership

The Committee was comprised of the following members:

Senator Tom Smith, Co-Chairman Senator Randall Gnant

Senator Herb Guenther

Representative Bob Burns, Co-Chairman

Representative Jeff Hatch-Miller Representative Carlos Avelar

Committee Action

The Ad Hoc Committee on State Printing Needs convened its first meeting on November 24, 1999. At the first meeting, the committee members discussed the issues associated with private sector printing businesses, their interactions with state agencies and instances of competition with state-operated print shops. The Committee also discussed possible motions to address these issues. At its second meeting on December 6, 1999, the Committee adopted the following motions:

The Committee recommended the enactment of statutory and/or session law changes which would:

- 1. Establish purchasing guidelines for state buyers of printing that provide maximum flexibility for procurement administrators to purchase the most appropriate type of printing from the most qualified vendors.
- 2. Require agency procurement administrators (state buyers) of printing to complete a training program, to be developed in conjunction with private industry, in a manner similar to a model used at Arizona State University.
- 3. Require that vendors be pre-qualified for the category of work for which they are qualified, similar to a model used at Arizona State University.
- 4. Study the feasibility of implementing a "credentialed" training program at Arizona Correctional Industries (ACI), overseen by a Board of Directors composed of public and private sector members. The program could potentially provide a marketable skill for inmates and skilled workers for the printing industry.
- 5. Conduct a study of in-plant facilities to determine the efficacy of the facilities.

APPENDIXA

First Meeting Agenda, Handouts & Minutes

ARIZONA STATE LEGISLATURE

Joint Interim Meeting Notice

Open to the Public

AD HOC Committee on State Printing Needs

DATE:

Wednesday, November 24, 1999

TIME:

10:00 a.m.

PLACE:

Senate Appropriations Room 109

SUBJECT: State Printing Needs

Agenda

- Call to Order 1.
- 2. **Review of Committee Charge**
- 3. Presentation by the Governor's Office of Excellence
- Presentation by Department of Administration/Procurement 4.
- 5. Presentation by Joint Legislative Budget Committee Staff
- 6. **Public Testimony**
- Discussion 7.
- Adjourn

HOUSE MEMBERS:

Carlos Avelar Jeff Hatch-Miller SENATE MEMBERS 1 mon

Tom Smith, Co-Chairman

Randall Grant Herb Guenther

11/17/1999

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Ad Hoc Committee on State Printing Needs

PURPOSE:

To conduct hearings and inquire into the degree of competition and cost-effectiveness of printing work conducted for the State including: (1) identification of state print shops (including Arizona Correctional Industries and state agencies) and taking inventory of printing and printing-related equipment, number of printing facilities. hours of operation and volume; (2) identification of categories of customers including intra-agency, interagency and other public and private customers; (3) identification of state contracts awarded to out-of-state and foreign country vendors and the volume of printing conducted pursuant to those contracts, and (4) assessing the annual cost of print shop operations. The Committee shall make its recommendations by December 15, 1999, regarding: (1) the criteria for outsourcing printing jobs, including a determination of annual reasonable amounts for cost and volume of outsourced printing; (2) consolidation of state print shop operations to increase efficiency and utilization; (3) consolidation of changes to the procurement code as it affects printing to provide efficient use of public resources; and (4) an educational program on state printing criteria and guidelines for state procurement agents.

MEMBERSHIP:

House

Three members of the House of Representatives, not more than two from the same political party, appointed by the Speaker of the House of Representatives: Avelar, Burns (Co-Chair), Hatch-Miller

Senate

Three members of the Senate, not more than two from the same political party, appointed by the President of the Senate:

Gnant, Guenther, Smith (Co-Chair)

STAFF: S-Susan Anable, H-Greg Gemson

REPORT DATE: 12/15/1999 EXPIRATION DATE: 12/31/1999

STATUTORY CITE: Ad hoc, created by the President of the Senate and the Speaker of the

House of Representatives, June 16, 1999.

Proposed Motions for the State Frinting Needs Committee

Mr. Chairman, I move that the Committee recommend to the Legislature the enactment of statutory and/or session law language which would:

- 1. Establish purchasing guidelines for state buyers of printing that provide maximum flexibility for procurement administrators to purchase the most appropriate type of printing from the most qualifies vendors.
- 2. Require agency procurement administrators (state buyers) of printing to complete a training program, to be developed in conjunction with private industry, in a manner similar to a model used at Arizona State University.
- 3. Require that vendors be pre-qualified for the category of work for which they are qualified, similar to a model used at Arizona State University.
- 4. Require that consideration be provided for Arizona-based businesses.
- 5. Implement a "credentialed" training program at Arizona Correctional Industries (ACI), overseen by a board of Directors composed of public and private sector members. The program would provide a marketable skill for inmates and skilled workers for the printing industry.
- 6. Conduct a study of in-plant facilities to determine the efficacy of the facilities.

ARIZONA STATE LEGISLATURE Forty-fourth Legislature – First Regular Session

AD HOC COMMITTEE ON STATE PRINTING NEEDS

Minutes of Meeting Wednesday, November 24, 1999 Senate Appropriations Room 109 – 10:00 a.m.

Members Present

Senator Randall Gnant Senator Herb Guenther Senator Tom Smith, Co Chairman

Representative Carlos Avelar Representative Bob Burns, Co Chairman Representative Jeff Hatch-Miller

Speakers Present

Greg Gemson, House Research
David Dodenhoff, Deputy Director, Governor's Office of Excellence in Government
Elaine LeTart, Governor's Office of Excellence in Government
John Adler, State Procurement Office, Department of Administration
Steve Kniery, Account Manager, Bowen
Donald Hoffman, President, Printing Industry Association of Arizona
David Mendoza, AFSCME
Bob Hull, JLBC

(Tape 1, Side A)

Co chairman Smith called the meeting to order at 10:10 a.m.

Charge of the Committee

Greg Gemson, House Research, stated that the purpose of this Committee is to conduct hearings and inquire into the degree of competition and cost-effectiveness of printing work conducted for the State including: (1) identification of state print shops (including Arizona Correctional Industries and state agencies) and taking inventory of printing and printing-related equipment, number of printing facilities, hours of operation and volume; (2) identification of categories of customers including intra-agency, interagency and other public and private customers: (3) identification of state contracts awarded to out-of-state and foreign country vendors and the volume of printing conducted pursuant to those contracts, and (4) assessing the annual cost of print shop operations. The Committee shall make its recommendations by December 15, 1999, regarding: (1) the criteria for outsourcing printing jobs, including a determination of annual reasonable amounts for

cost and volume of outsourced printing: (2) consolidation of state print shop operations to increase efficiency and utilization: (3) consolidation of changes to the procurement code as it affects printing to provide efficient use of public resources: (4) an educational program on state printing criteria and guidelines for state procurement agents.

Senator Smith stated that originally, this Committee would hear testimony and possibly make motions. However, the adoption of the recommendations was not added to the agenda. Therefore, testimony will be taken today and a motion meeting will be conducted at a later date.

Presentation by the Governor's Office of Excellence

David Dodenhoff, Deputy Director, Governor's Office of Excellence in Government, explained that his office recently completed a study relevant to the work of this Committee. Mr. Dodenhoff summarized briefly the findings of that study:

- The Department of Administration Director, Elliot Hibbs, requested the study on state printing that would contain two major elements. First, the study was to summarize the findings and implications of the seven previous print shop studies that were conducted between 1990 and 1997 and second, the study was to add some additional information to the previous studies by presenting trend data on state agency expenditures for printing services.
- One important conclusion to come from this study was that due to technological changes, state agencies have, in many ways, become their own print shops. Further, with the advent of the Internet, there is now less of a need to produce paper documents as there had been previously.
- The second important conclusion to come from this study was that current state accounting procedures limit what one can say about state agency costs and expenditures for printing services. However, it is known that approximately 80 percent of state agency outsourced print jobs go to the private sector as opposed to the state agency print shops. Also, at least two of those prints shops, those run by the Department of Administration and the Department of Corrections, are competitive with the private sector in terms of their pricing for printing services.
- The third conclusion drawn from the study was that while the previous studies offer recommendations designed to reduce state printing costs, cost is not the only factor that state agencies consider when determining when and how to have their documents produced. Timeliness, convenience, quality and security also affect the decision by a state agency whether to produce a document internally, farm it out to the private sector or to have it produced by a state print shop. Technological trends have increased the convenience and the timeliness with which agencies can produce documents internally and so, in some respects, they may make the choice to produce documents themselves rather than have them outsourced because of timeliness and convenience. Of course, the importance of cost in determining state printing decisions is not to be understated: however, it was found that previous studies sometimes considered cost to the exclusion of the other important factors.

In response to inquiry from Representative Burns, Mr. Dodenhoff explained that the 80 percent being contracted is explained in the final paragraph of page two of the report. He stated that there are two of the nine state print shops that work on a cost recovery basis and data was available on those two shops. The other seven in operation do not bill for their work and so there is no systematic way of tracking those costs. Representative Burns suggested that we make an attempt to get those shops to somehow track their costs.

Elaine LeTarte, Governor's Office of Excellence in Government, responded to inquiry from Senator Smith with respect to tracking the volume and cost of out of state printing, and explained that this question was not an issue at the time that the study was being worked on. The general accounting office would have to be notified of this request and then they could supply the names and mailing addresses of the firms. She added that in reviewing the previous studies, a limitation that was often cited within those studies was that the seven shops usually are within an administrative budget. The problem with comparing them was while they may track direct cost of printing, they were not loading administrative and long term capitalization costs into them.

In response to inquiry from Representative Hatch-Miller, Mr.Dodenhoff explained that the general accounting office was asked for state agency expenditures coded to printing for those fiscal years. He stated that there is not a budget that separates out print shop costs for any given year. Their budgets are included in state operating budgets.

Representative Hatch-Miller asked if there was ever an assessment done as to printing quality and timeliness. Ms. LeTarte explained that that was only mentioned in four of the studies and usually there was no consistent definition of quality. Timeliness, or turn around time, was rated and in 1995, the Department of Administration had a turn around time of three days for copying and five or six days for press printing. She noted that the satisfaction rate was at 95 percent.

(Tape 1, Side B)

In response to inquiry from Senator Guenther, Mr. Dodenhoff explained that all of the print shops are listed in the last paragraph on the first page of the study. Ms. LeTarte explained that all seven shops have the capacity to do black and white printing. However, she was unsure as to their other capabilities. She added that the ADOT print shop has the capacity to print blue print. She directed Senator Guenter to the back of the appendix and explained the number of employees at each shop. She added that at this point, inventories were not updated for this study.

Presentation by Department of Administration/Procurement

John Adler, State Procurement Office, Department of Administration, discussed the laws relating to printing. He covered the following:

A.R.S. 41-2501 says that this chapter of the Arizona Procurement Code, applies to all
expenditure monies. However, this chapter does not apply to purchases for contracts
between governments and government agencies.

- A.R.S. 41-2636D says state government or units in local public procurement units may purchase or contract for products, materials and services directly from Arizona Industries for the Blind. Arizona Corrections Industries and certified non-profit agencies for the disabled without competitive bidding.
- There are other laws that allow exemption from the procurement code. Arizona Highways Magazine is exempt from the competitive requirements of the Arizona Procurement Code, as well as certain agencies.
- Arizona does not have a local preference law at this time. Many other states have
 adopted what is known as a reciprocal preference, which means that if Arizona has a
 preference then in state vendors would be subject to that same preference against
 them if they competed out of state.

Mr. Adler explained the methods of procurement.

- Ile explained that we have 126 state agencies and of those, ten are called unlimited purchase authorizers because the procurement laws give them the ability to delegate procurement to certain agencies if they have capability to do their own procurement.
- Those largest agencies with unlimited purchasing delegating can do contracting through any of these methods. However, the smaller agencies have delegations ranging from 5,000 to 25,000 which means they can do procurement on their own at those smaller increments.
- The larger ten agencies have a staff of procurement people very much capable of doing any type of contracts, including printing contracts. The remaining 116 smaller agencies have less sophisticated purchasing skills.
- In summarizing the procurement laws. Mr. Adler explained that competitive seal bidding is where the contract must be awarded to the lowest responsive responsible bidder. The competitive seal proposal allows trade offs between quality and price to be evaluated. This allows award to the contractor that provides the offer that is most advantageous to the state, based on predetermined factors.

In response to inquiry from Representative Burns, Mr. Adler explained the steps involved in the procurement process, using printing as an example. He explained that in a small agency the customer would prepare a requisition, forward it to the state procurement office, it would be assigned to the senior contracts officer, who would then help the agency create specifications. This would go out for a request for proposal or out for bid. There would be a bid opening and a due date. Bids would be evaluated and then make an award decision. He added that the state typically does not specify how to do a job. However, they are told of the quality necessary to meet the requirements.

(Tape 2, Side A)

In response to inquiry from Representative Hatch-Miller, Mr. Adler explained that they do not require formal bids on purchases under \$1,000. An order from \$1,000 to \$5,000 requires three verbal quotes. An order from \$5,000 to \$10,000 requires a written quote. For orders from \$10,000 to \$25,000, there is an electronic notification system that places it on the Internet and it is eventually awarded to the most advantageous source. Once the order reaches \$25,000, the law requires that the job go out for competitive bid or proposal

through every registered vendor. Mr. Adler added that there is currently a fledgling training program within procurement called "Procurement 101" intended for those agencies that have no procurement professional on staff but do some sort of purchasing on their own.

In response to inquiry from Senator Guenther. Mr. Adler explained that in order to determine the most advantageous vendor, criteria is established in advance so that they know what they will be accountable for. He added that the Arizona Procurement Code is modeled after what the Arizona Bar Association produced in 1983, though it has been modified somewhat.

Public Testimony

Steve Kniery, Account Manager, Bowen, gave a brief summary of his professional background. He offered a general observation as an outside vendor and stated that he has seen an inconsistency in bids. He discussed his experiences with DOA and explained that there was a lack of clarity with the job descriptions. He expressed his concern regarding bids from out of state printers and in some cases, out of country printers. He pointed out that there was friction caused at public bid openings when Arizona Correctional Industry would be there to bid against his company. He stated that he felt that this was an unfair edge in a public forum. Mr. Kniery also stated that a study of in plant print shops would be in order.

In response to inquiry from Senator Smith, Mr. Kniery stated that the perception is that the correctional industry can bid up to 20 percent lower than others and this is based on the fact that a lot of the equipment has been solicited through donation and they employ inmates.

Senator Guenther commented that the advantage of using the correction facility is that we are putting prisoners to some kind of gainful employment and at the same time they are obtaining training for employment if and when they are released.

Senator Gnant commented that this is probably an opportunity because we should be able to work with the printing industry to establish some mutually acceptable training program that would qualify some of those inmates to go to work in the printing industry.

Mr. Kniery expressed his opinion that ACl did not have to go through the bidding process against private bidding companies to be given work. He suggested sending work to ACl as necessary, rather than have them bid against private industry.

Donald Hoffman, President, Printing Industry Association of Arizona, gave a brief history of his professional background. He then addressed the five suggestions for this Committee to consider in an effort to resolve the issues.

- 1. A uniform set of guidelines for the purchasing of printing for all state agencies because it has the potential to create significant economic inefficiency. The guidelines would apply across all state agencies and buyers but would allow for as much or as little decentralization or centralization as desired. This would further allow the ability to provide effective training that would give buyers the information and skills necessary to purchase the most appropriate type of printing from the most appropriate vendors.
- 2. A study of the entire state agency in house printing operations, and only those providing a service or filling needs that cannot be otherwise obtained, would remain in operation.
- 3. All printing should be done by Arizona private business unless an exemption is granted for compelling reasons based on economic, social benefit or the printing industry's inability to produce the product, such as in the case of Arizona Highway Magazine. Additionally, ACI receives an exemption because in that case there are compelling social reasons for providing skills training to inmates.
- 4. Create a process by which printing companies are pre-qualified for the specific work they are capable of producing. Requests for information and requests for proposal would then only go to the proper category of printers for the type of work needed reducing the number of bids for any number of jobs. ACl would also be properly categorized for the type of work they are capable of. The work that would go to them if they have the capacity to produce it at that time for the user who needs it would simply not be bid in the community.
- 5. The printing program at ACI is operated as a certified training program overseen by an advisory board comprised of both state and private business members. The requirements for such a program already exist as PRINT ED, which is the national accrediting body for printing training programs. An additional program could provide graduates of the program with certificates of their competencies. Such a training program provides the dual purposes of providing inmates with marketable skills in anticipation of their release, and places skilled workers back in an industry that is experiencing a severe shortage of available employees.

The Committee inquired about the status of the ASU bidding model development. Mr. Hossiman explained that it is inactive at this time. Initially, ASU asked for assistance with problems regarding acquisition of materials. An individual who actually owns the rights to that program developed the program. He added that the full range of information that is needed as well as an overview of the different types of printing is all provided, and there is a competency test at the end.

In response to inquiry from Senator Smith, Mr. Hoffman explained that what he is suggesting is that in the absence of compelling reasons otherwise, the work should go to private enterprise. Senator Smith commented that identifying the printers for categories could become an administrative burden.

(Tape 2, Side B)

Mr. Hoffman stated that this type of qualification that he is suggesting has to do with broad categories and would be based on their capabilities. Furthermore, if a shop gains additional capacity, it would be the responsibility of the shop to identify that and request, by application, to go to the next level up. He added that there would be approximately six broad categories and then there might be a break down within each of those categories, such as one or two subdivisions. However, the concept has not gone that far yet.

Mr. Hoffman agreed with Senator Guenther's comments that the biggest problem with regard to ACI was the competition for bidding and if they are going to use ACI, it should be done without putting private industry to the trouble of putting bids together to bid against ACI. Mr. Hoffman added that it is his understanding that ACI was started with the dual purpose to create a revenue center for the state and to train the inmates. If, in fact training is a goal of the program, it should be established as a real training program that will truly give certifiable skills to the people coming from that program. He recognized the challenges to start the program as well as the challenges involved with the hiring process at the end of the program. He stated he was willing to work with the state to meet that challenge.

In response to inquiry from Senator Guenther, Mr. Hoffman explained that the economics of the industry and the size of the equipment required Arizona Highways to be printed out of state. Arizona is not considered one of the major printing centers in the country and although the equipment is specialized to its type and is common in many companies, there was no economic justification for keeping it in Casa Grande. He added that the publication might return to Arizona. There are two companies that operate that particular type of equipment and they are both looking at reinstating operations here in Arizona; one is in the old plant in Casa Grande and the other is in a plant in Phoenix.

David Mendoza, AFSCME, stated that state legislature has put in place the competitive government process and that was to allow state employees to compete with the private sector. He stated that to keep a service in house is wrong.

Presentation by JLBC

Bob Hull, JLBC, stated that he was asked to speak because he worked on the print shops study conducted in 1990. At that time he was unable to make reliable comparisons between agency print shops because of production of financial data. On the financial side, the agency print shops were included in the appropriated budgets and are broken out in the expenditures separately. He explained that within the agency, they might have internal budgets and account for their work informally. He added that the agencies prefer to keep their agency print shops for reasons such as convenience, responsiveness to their own needs and security.

In response to inquiry from the Committee, Mr. Hull explained that this could fit the SPAR format. He added that the problems that plagued the study in 1990 and every study since then, where the agencies do not have the data available, does not lend itself to comparable comparison, and would also plague the SPAR and until that problem can be addressed in some type of fashion, the results might be problematic. He added that the agencies do somehow keep track of their print jobs.

The Committee discussed the five proposals presented by Mr. Hoffman. Representative Burns commented that the suggestion that the private printing industry come to some kind of a working arrangement with ACl as far as training, has some possibility. He stated that it would be a very worthwhile idea because obviously, the printing industry is hard pressed to find qualified employees and that certainly is one of the reasons we have ACl. He stated that the issue of pre-qualification of printers by category has possibilities as well. It might make our procurement process a little more efficient, hopefully for the betterment of the private sector as well as the government. He explained that the idea of having those procurement agents better trained would also be another item for this Committee to consider.

Senator Smith pointed out the following:

- He agreed that it would be a waste of time for the private industry to bid against ACL.
- The education of these inmates working in ACI is an open entry/open exit type of schooling. It is not like the traditional schooling where so many hours are completed.
- The Committee needs to look at the definition of "compelling interest."

Senator Smith asked for information to assist in addressing those issues.

In response to inquiry from Senator Gnant, Mr. Hull explained that Λ Cl is a registered vendor and that they can compete. However, he was not aware of Λ Cl getting very much business through the competitive process. Also, in talking to his colleagues, he would prefer that, if they are going to contract with Λ Cl, that they do it competitively so that they know that they are getting the best value from Λ Cl and not just paying whatever price Λ Cl requests. He added that there were attempts at doing a statewide contract for printing but it did not work because it would be too difficult to compare the many different types of printing that might occur under that contract. He stated that he could envision a statewide contract for printing.

Senator Gnant stated that it appears that these committees very seldomly spring forth from a self-generated interest on the part of legislators. Indeed, these meetings almost always result because the printing industry is frustrated at two levels. They are frustrated at the competitive level at not being able to compete with ACl, and they are frustrated as taxpayers when they see that inability to compete is costing the state money because of inefficiencies in operation that end up not made available to the private sector.

Senator Gnant stated that he didn't think there was anything wrong with working to simplify access to printing requirements on the part of private industry, and he didn't think there was anything wrong with the education efforts that we want to accomplish within the state. He added that as the Committee works toward these proposed motions for the next meeting, he was hopeful that the Committee keeps these issues in mind.

Without objection, the meeting adjourned at 11:40 a.m.

Robyne Richards, Committee Secretary

(Original minutes, attachments and tapes are on file in the Chief Clerk's Office)

APPENDIX B

Second Meeting Agenda, Handouts & Minutes

ARIZONA STATE LEGISLATURE

Joint Interim Meeting Notice

Open to the Public

AD HOC Committee on State Printing Needs

DATE:

Monday, December 6, 1999

TIME:

3:30 p.m.

PLACE:

Senate Hearing Room 3 Jam S

SUBJECT: State Printing Needs

Agenda

Call to Order 1.

Consideration and Adoption of Recommendations 2.

3. Further Discussion

Adjourn 4.

HØNUSE MEMBERS:

Co-Chairman

Carlos Avelar Jeff Hatch-Miller SENATE MEMBERS:

Tom Smith, Co-Chairman Randall Gnant Herb Guenther

12/2/1999

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Proposed Motions for the State Printing Needs Committee

Mr. Chairman, I move that the Committee recommend to the Legislature the enactment of statutory and/or session law changes which would:

- 1. Establish purchasing guidelines for state buyers of printing that provide maximum flexibility for procurement administrators to purchase the most appropriate type of printing from the most qualified vendors.
- 2. Require agency procurement administrators (state buyers) of printing to complete a training program, to be developed in conjunction with private industry, in a manner similar to a model used at Arizona State University.
- 3. Require that vendors be pre-qualified for the category of work for which they are qualified, similar to a model used at Arizona State University.
- 4. Study the feasibility of implementing a "credentialed" training program at Arizona Correctional Industries (ACI), overseen by a Board of Directors composed of public and private sector members. The program could potentially provide a marketable skill for inmates and skilled workers for the printing industry.
- 5. Conduct a study of in-plant facilities to determine the efficacy of the facilities.

ARIZONA STATE LEGISLATURE Forty-fourth Legislature – First Regular Session

AD HOC COMMITTEE ON STATE PRINTING NEEDS

Minutes of Meeting Monday, December 6, 1999 Senate Hearing Room 3 – 3:30 p.m.

(Tape 1. Side A)

The meeting was called to order at 3:31 p.m. by Co-Chairman Smith. The attendance was noted by the secretary.

Members Present

Senator Tom Smith, Co-Chairman Senator Randall Gnant

Representative Bob Burns, Co-Chairman Representative Carlos Avelar Representative Jeff Hatch-Miller

Members Absent

Senator Herb Guenther (excused)

Speakers

Greg Gemson. Research Analyst. House of Representatives

Guest list (Attachment 1).

THE MEETING RECESSED AT 3:32 P.M.

THE MEETING RECONVENED AT 3:35 P.M.

Consideration and Adoption of Recommendations

Greg Gemson, Research Analyst, House of Representatives, distributed the proposed motions to the Committee (Attachment 2). Mr. Gemson noted that they are almost identical to the proposed motions he distributed at the Committee's previous meeting. He further noted, with regard to item four, the addition of "study the feasibility of (implement)ing."

Co-Chairman Smith expressed approval to the change on item four, and speculated that there might be some difficulty with such an endeavor. He stated that there is a need to first determine if the ends justify the means and then what must take place in order to implement such a program.

Senator Gnant stated that he would have no difficulty supporting the recommendations to the Legislature, however, he noted that item three is problematic and would require additional work before the recommendations are drafted into bill form.

Representative Hatch-Miller noted that, with regard to item five, the Committee reviewed numerous studies at its previous meeting and he would like to see such a proposed study truly answer the question of cost benefits.

Senator Gnant commented that the recommendations are not likely to make it through the Legislature in final bill form.

Co-Chairman Smith concurred and noted that many things must take place in order to implement proposed legislation such as this. He indicated that it is necessary to first understand what the problem is that is being addressed by each of the five proposed recommendations. Then there must be an understanding of how the recommendations will solve these problems. Finally, there must be an understanding of who might oppose such legislation and for what reasons. Co-Chairman Smith echoed Mr. Hatch-Miller's concern that the recommended study be effectual. Additionally, he stressed the importance of contacting stakeholders, anyone who might be affected by the proposed legislation, to provide input.

Co-Chairman B. Burns moved that the Committee recommend to the Legislature for consideration the following statutory and/or session law changes:

- 1. Establish purchasing guidelines for state buyers of printing that provide maximum flexibility for procurement administrators to purchase the most appropriate type of printing from the most qualified vendors.
- 2. Require agency procurement administrators (state buyers) of printing to complete a training program, to be developed in conjunction with private industry, in a manner similar to a model used at Arizona State University.
- 3. Require that vendors be pre-qualified for the category of work for which they are qualified, similar to a model used at Arizona State University.
- 4. Study the feasibility of implementing a "credentialed" training program at Arizona Correctional Industries (ACI), overseen by a Board of Directors composed of public and private sector members. The program could potentially provide a marketable skill for inmates and skilled workers for the printing industry.
- 5. Conduct a study of in-plant facilities to determine the efficacy of the facilities.

The motion carried.

Further Discussion

Co-Chairman B. Burns stated his understanding that when a study committee makes a recommendation the Chairman of the committee opens a folder for the bills that will result. He asked if a folder has been opened. Mr. Gemson indicated that a folder has not been opened.

Co-Chairman Smith suggested that Co-Chairman B. Burns opens a folder and that if he is unable to do so, Co-Chairman Smith will do what he can to facilitate the process. Senator Gnant offered to open a folder as well.

Co-Chairman Smith iterated the importance of contacting all stakeholders, and he stated that nothing will derail a bill as quickly as someone saying "I didn't hear about this."

Without objection, the meeting adjourned at 3:43 p.m.

Seth Goodman, Committee Secretary

(Original minutes, attachments, and tape are on file in the Chief Clerk's Office. Copy on file in the Office of the Senate Secretary.)

sg 12/7/99

APPENDIX C

Introduced Legislation

REFERENCE TITLE: procurement; printing services

State of Arizona House of Representatives Forty-fourth Legislature Second Regular Session 2000

HB 2388

Introduced by Representative Burns R

AN ACT

AMENDING TITLE 41, CHAPTER 23, ARTICLE 2, ARIZONA REVISED STATUTES, BY ADDING SECTION 41-2517; AMENDING TITLE 41, CHAPTER 23, ARTICLE 3, ARIZONA REVISED STATUTES, BY ADDING SECTION 41-2559; RELATING TO PROCUREMENT.

(TEXT OF BILL BEGINS ON NEXT PAGE)

Be it enacted by the Legislature of the State of Arizona:

Section 1. Title 41, chapter 23, article 2, Arizona Revised
Statutes, is amended by adding section 41-1517, to read:

41-1517. Procurement officer continuing education

requirements

EACH CALENDAR YEAR EACH PROCUREMENT OFFICER SHALL COMPLETE AT LEAST SIXTEEN HOURS OF CONTINUING EDUCATION SPECIFICALLY RELATED TO THE OFFICER'S PROCUREMENT RESPONSIBILITIES.

Sec. 2. Title 41, chapter 23, article 3, Arizona Revised Statutes, is amended by adding section 41–2559, to read:

41-2559. Qualified vendors: printing services

NOTWITHSTANDING ANY OTHER PROVISION OF THIS ARTICLE. A PROCUREMENT OFFICER MAY SELECT QUALIFIED VENDORS TO RECEIVE AN INVITATION FOR BIDS OR A REQUEST FOR PROPOSALS FOR PROCUREMENT OF PRINTING SERVICES.

Sec. 3. <u>Auditor general study of state printing operations</u> and procurement

A. The auditor general shall:

- 1. Conduct a study of state printing operations, including printing operations of the Arizona correctional industries established pursuant to title 41, chapter 11, article 3, Arizona Revised Statutes, and make recommendations for the use of state monies for procuring services to meet the state's printing needs.
- 2. Submit a written report of the auditor general's findings and recommendations to the speaker of the house of representatives, the president of the senate and the governor on or before December 1, 2000. The auditor general shall provide a copy of this report to the secretary of state and the director of the department of library, archives and public records.
 - B. The report shall contain:
- 1. A determination of both the type of work and the customer base for each state printing facility.
- 2. A determination of the true cost of operation for each state printing facility.
- 3. A cost-benefit analysis of continuing to operate each state printing facility compared to consolidation, outsourcing or a combination of consolidation and outsourcing.
- 4. A cost-benefit analysis of all high-speed copying equipment and the total cost per copy compared to the cost per copy if consolidated, outsourced or consolidated and outsourced.
- 5. For the department of administration and Arizona correctional industries facilities, a determination of the method of pricing and the relationship of the pricing structure to costs.
- 6. A determination of the amount of revenues generated by Arizona correctional industries, where those revenues are deposited and how those revenues are used.

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- 7. The effectiveness of the current training program at Arizona correctional industries.
- 8. A cost-benefit analysis of transforming the Arizona correctional industries operation into a credentialed training program for the benefit of the inmates and the printing industry while still remaining a profitmaking operation.
 - 9. A determination of the age, condition and use of all equipment.
- 10. A definitive recommendation for the most effective use of state monies for procuring services to meet the state's printing needs.

Sec. 4. Repeal

Section 3 of this act, relating to the auditor general's study of state printing operations and procurement, is repealed from and after December 31, 2000.